

Solid Energy annual result ahead of target

14 November 2017

Solid Energy, operating under a Deed of Company Arrangement (DoCA), reported EBITDAF of \$89 million for the 2017 financial year, up from \$16 million in the previous year.

The result comes on the back of short-term upswings in international coal prices coupled with consistent performance across domestic operations, and was achieved amidst significant challenges for the company as it navigated the sale of its core mining assets and operated within the tight cost control pressures of the DoCA.

At the close of the financial year the asset sale process was substantially complete, with the sale of the Stockton export coal operation and the two Waikato mines to BT Mining finalised just outside the financial year in August 2017.

Cash returned during the year to Participant Creditors under the DoCA was \$98 million.

Solid Energy Chairman, Andy Coupe, says that once the remaining sale proceeds are collected and the final costs for the period to solvent liquidation are taken into account, Participant Creditors should see a return of approximately 60 cents in the dollar, with the possibility of contingent payment arrangements based on post settlement coal prices lifting this return higher still.

"This compares very favourably to the independently estimated return of 15 – 20 cents in the dollar had liquidation occurred immediately, and is a pleasing improvement on the 35-40 cents in the dollar expected under the DoCA," says Mr Coupe.

"In addition to the fact that all trade creditors at the time of the company entering voluntary administration were, and continue to be paid in full, one of the best outcomes that Solid Energy has been able to secure through the sales process is the preservation of jobs and employee entitlements, and the continuation of businesses contributing vital economic, community and social benefits in the regions."

Mr Coupe said that some 95% of staff at mines that have been sold have transferred to the new owners. All staff - both those transferring and those who have been made redundant - have received their full entitlements; an outcome that would not have been achievable in a forced liquidation.

Chief executive Tony King says that Solid Energy ended the year with its best ever safety record, recording a total reportable injury frequency rate of 2.96 per million hours and lost time injury frequency rate of 0.75 per million hours; significantly better than industry averages and comparable with many lower hazard industries. "The company's health and safety management system will be an enduring positive legacy as all new owners of the mining operations have continued to implement the management system" says Mr King.

Mr Coupe acknowledged the commitment of directors, management and staff through a very challenging year in which, despite the distractions and demands, the company achieved targets across the full range of financial, production, safety, environmental and asset sales requirements.

Solid Energy is now well-advanced in meeting its obligations under the DoCA, and is progressively completing final operational and administrative activities, on track to go into solvent liquidation in March 2018.

ENDS

For further information:

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Background - Solid Energy Asset Sales Process

Solid Energy entered Voluntary Administration in August 2015 after the directors concluded that the company had no realistic prospect of refinancing significant debt.

Under the Deed of Company Arrangement agreed with creditors in September 2015 the directors are responsible for running an orderly sell down process to sell the assets of the company. All land, mines and other assets were offered for sale either as a whole or in parts, presenting an opportunity for those assets that are economically viable to continue trading under new ownership; delivering the best outcome for creditors and staff.

The company has placed significant focus through the asset sales programme on securing the path forward for the assets and facilitating employment opportunities for staff.

In October 2016 Solid Energy announced that sale and purchase agreements had been signed for the Stockton export coal operation; the two Waikato mines, Rotowaro and Maramarua; New Vale and Ohai coal mines in Southland, and Strongman, Liverpool and the Reefton mines on the West Coast.

Settlement for the Ohai and New Vale mines was reached in April with all of the mines' employees and operations transferring to the new owner Greenbriar.

Settlement was also reached in April with Birchfield Coal Mines for the purchase of the Strongman mine, the Island Block project, the Mt Davy/Liverpool permit, and the Reefton coal distribution centre.

During August the sale of the remaining Reefton assets, comprising the Reddale and Burkes Creek mining operations with the associated coal washery and plant and equipment was completed with Moore Mining.

On August 31st BT Mining, a joint venture of Bathurst Resources and Talleys Energy Limited, settled for the purchase of the Stockton export coal operation and the two Waikato mines Rotowaro and Maramarua.

Spring Creek is the only mine in Solid Energy's asset sales portfolio that has not sold and the closure of the mine is currently underway.

Pike River Mine and East Mine were not included in the asset sales programme.

Pike River Mine

In July 2012 Solid Energy purchased the assets of Pike River Coal Company from that company's receivers.

At that stage the mine was sealed with temporary seals at the ventilation shaft and 170 metres into the drift access tunnel. Pursuant to an agreement with the Crown the company assessed the feasibility of a manned re-entry of the drift. In December 2014 the company determined that while a re-entry was technically feasible, it did not meet the required safety standard. Following this, a decision was made to seal the mine. A new seal was constructed 35 metres into the drift, which has made the mine stable and safe.

In February 2017 the then government asked the company to stop further sealing work and assess the feasibility of an unmanned exploration. This assessment proceeded through the middle of 2017 with preparatory work in anticipation of robot exploration taking place in late 2017. As the new government has made a commitment to a manned re-entry into the drift, the company is waiting to be advised of the government's plans in relation to re-entry implementation.

Consistent with terms agreed with the Crown, the Pike River assets will be disclaimed to the Crown on solvent liquidation or prior in the event that the Crown wishes to take over the site earlier.